ANONYMOUS

CHRONOLOGICAL SKETCH OF THE PRINCIPAL EVENTS IN BRITISH HISTORY RELATING TO CURRENCY

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1848

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The use of the precious metals, as money, was probably known in some parts of England at an earlier period than the invasion of Julius Cæsar, through the intercourse kept up with Cornwall by commercial nations known to have visited it for tin; but it may be assumed that metallic *coins* were first introduced by the Romans. On the departure of the Romans, and when the country was given up for several centuries to intestine divisions, we meet with, in the brief records of the time, occasional notices of the scarcity of money; and a species of *living money* may be said to have supplied the place of coin during a part of the Anglo-Saxon period. Slaves (the *theowes* or *servi* of 'Doomsday Book'), and oxen, passed current in the payment of debts. The price of a slave was four oxen. The export of slaves to Ireland (then in the hands of the Danes) was the chief feature of the trade of Chester and Bristol. This was restricted, but not altogether abolished, by Canute, about the year 1030.

1066.—The Conquest. The ancient *Tower pound* (11 oz. 5 dwts. troy) of fine silver, with 3 dwts. of alloy (seignorage), coined into 20*s.* by William the Norman. Each shilling divided into twelve pence or *sterlings*. The same system of coinage which had been introduced in France by Charlemagne. A foreign gold coin in use at this period called a *Bezant*, ten of which were about equal to the Tower pound of standard silver.

1100 to 1135.—Reign of Henry 1st. *Tallies* first mentioned in the statutes of this reign (c. 56), as a means of collecting the revenue.

1229.—The Pope's Nuncio having acquired great influence in England, through the weakness of King John's government, orders the "tenths" to be col-

lected in money, instead of in kind. Payment exacted with great severity; and the rate of interest raised by the usurers to 60 per cent.

1257.—Gold pennies coined by Henry III. A gold penny weighed two *sterlings*, or 45 grs. troy. This was the first gold coin struck by English monarchs.

1262.—The middle or average price of the quarter of wheat, as gathered from the 51 of Henry III., regulating the assize of bread and ale, 10*s.* per quarter (30*s.* in shillings of the present weight and standard).* The barons, during this reign, reproached Henry III. with pawning the credit of the Crown by issuing "*Tallies* for the victuals of his table."

1274.—A parliament called by Edward I. to restrain *usury*, and oblige all Jews to wear a badge.

1279.—Two hundred and eighty Jews hanged for clipping and coining.

1289.—The Jews banished the kingdom by Edward I.

The Jews were succeeded in their vocation of money-brokers by Italian merchants from Lombardy, who resided in that part of the city which is still called after them *Lombard Street*, or the street of the Lombards. The stalls or benches at which their business was transacted gave rise to the term "bank," from the Italian *banco*, a bench. The Lombards were succeeded as private bankers or traders in money by the London goldsmiths; one of whom, Mr. Child, established about the time of the Restoration, the earliest of the modern banking firms still existing, that of Messrs. Child and Co., Temple Bar.

1336.—The exportation of English and Foreign coins prohibited by 9th Edward III., caps. 1, 9, 10, 11.

1337.—The Lombard money dealers accused of extortion, and their property seized and confiscated by a Royal commission.

1344.—Gold *florins* coined by Edward III.; but having been issued above their value, they were superseded the same year by a new gold coinage of *nobles, half nobles*, and *farthing nobles*. The *noble* was commanded to be a legal tender at 6*s.* 8*d.* (about 13*s.* 4*d.* in silver of the present *standard*, and about 24*s.* in silver at its present *value*.)

From this date till the year 1774, a *double standard* prevailed in England, silver and gold coins being both a legal tender; the silver coins at the price at which they were issued from the mint, the gold coins at prices fixed from time to time by royal proclamation, and governed by the market value of gold, as measured in silver.†

1349.—The *Tower pound* of standard silver, coined into 22*s.* 6*d.* by Edward III.

1350.—The middle price of wheat, by the 'Statute of Labourers' (25th of Edward III.), 6*s.* 8*d.* per quarter, or 20*s.* in shillings of the present weight and standard.

1351 to 1464.—A Poll Tax of 4*d.* per head produces a popular insurrection, headed by Wat Tyler. Further debasement of the currency, in six successive coinages, by the last of which, under Edward IV., the *Tower pound* of standard silver was coined into 37*s.* 6*d.*

* Adam Smith, book 1, chapter xi.

† Lord Liverpool, Treatise on Coins.

1382.—5th of Richard II. increases the penalties on the exportation of gold and silver coins.

1466.—5 Edward IV. The *Rial* coined, containing 5 dwts. of gold.

1489.—4th of Henry VII. increases the penalties on the exportation of coin to *double forfeiture*.

1490.—5 Henry VII. The first gold coin, called *a Sovereign*, issued at 20*s.* It contained 10 dwts. of gold;—our present sovereign contains 5 dwts. 3¼ grains.

1527.—The *pound troy* of 12 oz. substituted for the Tower pound of 11 oz. 5 dwts; and the pound troy of standard silver coined by Henry VIII. into 40*s.* The *gold crown* coined containing 2 dwts. 9½ grs.

1528 to 1546.—Henry VIII. debases the *pound troy* of silver in the next four coinages by mixing it with 8 oz. of alloy and coining the pound troy, so composed, into 48 shillings. This was the most violent interference with the currency recorded in British history, as attempted during the lifetime of one Monarch. The *Sovereign*, in 1545, was reduced to 8 dwts. in gold. In 1546, the maximum of interest was fixed at 10 per cent., 37 Henry 8, c. 9.; previous to which all interest had been considered usury by statute.

1547 to 1551.—In the next three coinages, the pound troy is further debased by Edward VI., and made to contain 9 oz. of alloy, and coined into 72*s.*

This was the extreme point attained by the progressive adulteration of the coinage. The shilling of William the Norman, which had contained 266 grains of fine silver, *now contained only 20 grains*; a difference nearly as great as that between twelve pence and three farthings;* but we have to remember that *the real value*, or purchasing power over food and labour, of silver, had been progressively increasing up to this time, from the gradual discontinuance throughout Europe of the custom of payments *in kind*, and the consequent growing demand for money, which exceeded the average productiveness of the mines then worked. The average value, in other commodities, of *three farthings* in 1541, was about equal to that of *three pence* in 1066. Prior therefore to the reign of Henry VIII., the *depreciation* of the coinage by adulteration had not been nearly so great as the *appreciation* of the same quantity of fine silver by scarcity.

The last mentioned debasement of the coinage was formally sanctioned by Parliament as a subsidy, "that the king might gain thereby £220,000," but limited, for this object, to the adulteration of 20,000 lbs. weight of silver bullion; but about the same time, the Parliament determined upon the equally impolitic measure, in an opposite extreme, of returning to the ancient standard, to the extent at least of restoring the purity of the silver in the current coin.

1552.—The proportion of alloy to fine silver, reduced from 9 oz. to 19 dwts., and the pound troy coined into 60*s.* A commercial treaty concluded with

* The particulars we have given of the coins are taken from the tables supplied in the 'Essays on Money, Exchanges,' &c., by Henry James.

Sweden, of which the conditions were made to depend upon the importation of bullion.

1553.—Edward the VI. dies (July 6th) in the 16th year of his age. A new coinage by Queen Mary of the same Mint standard as the last.

1554.—Philip of Spain, on his marriage with Mary, brings over with him 27 chests, 99 horse-loads, and two cart-loads of gold and silver bullion; all subsequently spent in his foreign wars.

1555.—Growing scarcity of money. The Queen, this year, obliged to borrow of the merchants, at Antwerp, £30,000, at 14 per cent. on the joint security of the Corporation of London and her own. Average price of wheat for the three years, ending 1555, from Fleetwood's tables, quoted by Adam Smith, 8*s*. per quarter, in money of the present standard.

The change in the currency effected by the two last coinages of this period *quadrupled its value*. The shilling, which contained but 20 grains of pure silver in 1551, was now made to contain 88 grains. Its effect was of course to increase fourfold the burdens of rents, taxes, and every class of fixed obligations. Henry VIII. had cheated his creditors by paying them in base coin, but as his revenue was collected in base coin, he had practically lightened by it the burdens of the people; the well-intended measure of restoring the purity of the standard made them intolerable. This will be understood by the reader if he will imagine the consequences to himself of being called upon to pay his assessed taxes in sovereigns weighing, each 20 dwts. 12 grs., instead of 5 dwts. 3 grs. Of course the demand for bullion would be quadrupled, as it was in Queen Mary's time; and from the increased cost of production the coin would go abroad in remittances of payment, instead of goods, as it did then; and as it did again subsequently, in the reign of William III. This explains the reason, why that cheapening of silver which resulted generally in Europe from the discovery of the mines of Potosi, in 1545, was not felt in England till the latter end of the reign of Elizabeth. The supply had increased, but not increased in England in the proportion of the artificial demand occasioned by raising the standard. Queen Mary was unpopular, as a bigoted and persecuting Roman Catholic monarch, but from the first she was thrown into a false position with her subjects by causes of which neither she nor the historians of the time understood the operation. That operation, however, was far less severe than a similar measure would be in our own times, because in the reign of Mary our foreign trade was inconsiderable. The little commerce we had then was in the hands of merchants belonging to the Hanse Towns, meeting in the *Steel Yard*, and the entire revenue of England amounted but to £300,000.

1560.—The pound troy of silver, made to consist by the 2nd of Elizabeth, of 11 oz. 2 dwts. of fine silver, and 18 dwts. of alloy, at which standard it has since remained. The pound troy so composed, coined by Elizabeth into 60*s*.

1562.—Wheat allowed to be exported by the 5th of Elizabeth when it reaches the price of 10*s*. per quarter. This low price quoted by Adam Smith, as an evidence of the continued dearness of silver.

1571.—13th of Elizabeth, c. 8, confirms the 37th of Henry VIII., c. 9, fixing the maximum of interest at 10 per cent.

1580.—The Baltic Company formed. The first association of *English* merchants engaged in foreign trade.

1587.—Elizabeth defeats the Spanish Armada.

1597.—The privileges abolished of the Hanseatic merchants meeting in the Steel Yard.

1600.—The pound troy of standard silver coined by Elizabeth into 62*s*.

Subsequent coinages of the shilling have remained the same until the year 1816, when the pound troy of standard silver was coined into 64*s*.

1601.—The foundation of a systematic provision for the poor established by the 43rd of Elizabeth.

1603.—Elizabeth dies, and is succeeded by James I. The crown passing from the family of Tudor to that of Stewart.

1604.—Gunpowder plot.

1605.—The *Unity* Sovereign coined, containing 6 dwts. 11 grs. (The fourth change since 1545.)

1612.—The comparative cheapness of gold at this period not increasing relatively so fast as silver, gold rises 2*s*. per oz.

1620.—The *Laurel* Sovereign coined containing 5 dwts. 20 grs. of gold. The average price of wheat for this year, and the twenty-five years preceding, 37*s*. for the quarter of eight bushels.*

1624.—The maximum of legal interest reduced from 10 to 8 per cent. by the 21st James I., c. 17.

Towards the close of the reign of Elizabeth, the influences upon prices began to be felt, of that vast and disproportionate supply of the precious metals, as compared with the demand, which resulted from the discovery and conquest of Peru. Subsequently, also, to the destruction of the Spanish Armada, England, and indeed the greater part of Europe, began to enjoy the blessings of a settled government, and with it came an expansion of credit, which, co-operating with an actual depreciation of gold and silver, but especially silver, all over the world, had, of course, a marked effect upon the nominal value of articles of merchandise, as measured by metallic coins.

Our readers will notice the falling rates of interest which commenced with this era of cheap money. David Hume and Adam Smith attribute these lower rates solely to increase of capital; contrary to the opinion of Locke, Law, and Montesquieu, who considered that the influx of the precious metals sufficiently accounted for the fact. We hold that the latter were right, although the two former had the best of the argument. David

* 41*s*. 9*d*. for the Winchester quarter of nine bushels, by Windsor Market prices, quoted by Adam Smith.

Hume and Adam Smith seem to have too hastily concluded, with some of our modern economists, that because money represents capital, therefore the demand for capital is always commensurate with the demand for money. A most serious mistake, as we have already endeavoured to explain. *The demand for money depends upon the balances of trade.* Falling prices turn the scale in favour of money; rising prices turn the scale in favour of commodities. When, therefore, upon the influx of the treasures of South America, prices rose, and with them profits, the demand for money diminished; and diminishing in a more rapid ratio than its intrinsic value, in consequence of its place being supplied by the *money of account*, the result was shown in both a nominal and real reduction of interest. Let us repeat here what we may yet have to repeat again, that the test by which to discover whether a high rate of interest is or is not occasioned by a scarcity of capital, is a rise or fall of prices in reference to that kind of capital most imperatively required. If *capital* had been scarce when Queen Mary was borrowing money at 14 per cent., would the price of wheat have been 8s. per quarter? In the case before us we see, that with interest of money reduced to 8 per cent. the price of wheat had risen to 37s. per quarter.

1625.—James I. dies, and is succeeded by Charles I. Base money still continues to be issued for circulation in Ireland.

1636.—Average price of wheat at Windsor Market for the 16 years, ending this year, 44*s*. per quarter.*

1640.—Charles I. having failed in his attempts to levy money without the consent of Parliament, and being refused an advance of £200,000 by the City of London, seizes, as a forced loan, £40,000, belonging to private merchants, deposited for safety in the Tower Mint.

1649.—Charles I. executed at Whitehall (January 30). The quantity of bullion coined during this reign, estimated at £12,096,220. A greater amount than was coined during the two reigns of Elizabeth and James.†

1650 to 1659.—The Commonwealth and Protectorate of Cromwell. The Jews again permitted to settle in England. The maximum of legal interest reduced to 6 per cent. Average price of wheat for the ten years, ending 1659, 45*s*. 9*d*. per quarter of eight bushels.

From this period we may continue our chronological sketch at regular decennial intervals.

Period of Ten Years.	Average price of Wheat per Qr. of 8 bushels.
	s. d.

1660 to 1669.—Restoration of Chas. II. (1660). A return of exports and imports by Dr. Chas. D'Avenant, Inspector-general of Customs (1662.)

Exports, £2,022,812. Imports, £4,016,019.

The public revenue for 1662 under £1,100,000. 1663. Gold imported from *Guinea*, and the *Guinea* Sovereign coined, containing 5 dwts. 9 grs. of gold; issued at 20*s*. Plague of

* Fifty shillings per quarter of nine bushels.

† Wade's 'British Chronology.'

Period of Ten Years.	Average price of Wheat per Qr. of 8 bushels.
	s. d.

London, 1665. Fire of London, 1666. The Dutch sail up the Medway, and burn our shipping (1667) 44 9½

1670 to 1679.—Chas. II. to obtain funds for the Dutch war shuts up the Exchequer (1672), seizing, as a permanent loan, £1,300,000, advanced upon the security of Exchequer *Tallies*, in anticipation of the revenue. *Panic in the City. Run upon the goldsmiths*, the private bankers of the time, many of whom were compelled to stop payment. Ten thousand families said to have been ruined by this measure. The statute of 12 Car. II., cap. 13, of the same year, again fixes the maximum of legal interest at 6 per cent. 44 9

1680 to 1689.—A penny post first set up by Mr. Murray (1683.) Charles II. dies, and is succeeded by James II., 1685. James II. dethroned, and is succeeded by the Prince of Orange and Nassau, 1688. William III. conciliates the landed interest by granting a bounty of 5*s*. per quarter on the exportation of wheat (1689) 35 8½

1690 to 1699.—First years of bounty money on the exportation of wheat; seven years of extreme dearth, during part of which the bounty money was suspended; six years of a currency depreciated in value, by light weight, 25 per cent. Guineas sold at 30*s*. The Bank of England established in 1694. The old value of the shilling restored by a new coinage, 1695. Foreign coins allowed to be exported about the same time, on oath that they were *foreign*; and watches, sword hilts, &c, of silver manufacture. *Drain of bullion. Panic. Suspension of the Bank.* Exchequer Bills first issued as a substitute for Tallies; in this case limited to £3,000,000, and issued for small sums, to relieve the pressure. The amount still represented by *Tallies* in 1698, £8,882,544.. 50 1

1700 to 1709.—Years of an enhanced currency, Government loans and continental wars. The National Debt raised by William III. from £664,263 to £16,394,701. Union with Scotland in the 5th year of Queen Anne (1707). Threatened invasion of the Pretender at the close of the same year. *Panic. Run upon the Bank. The Government helping it through its difficulties by guaranteeing for six months 6 per cent interest upon* BANK *Bills** 35 0½

We have already explained at length the disastrous effects of the new coinage, in producing an artificial scarcity of money and a falling market. These consequences would have been avoided but for the error of Locke, that "men in their bargains contract not for denominations or sounds, but for intrinsic value." He failed to perceive that intrinsic value can only be guessed at through the medium of denominations with which we are familiar, and that therefore, when he raised the intrinsic value of the current coins by which rents, taxes, wages, and prices had been adjusted, he should have given his new shillings *new* names. It was an excellent opportunity lost for issuing a *decimal* coinage.

* Francis' "History of the Bank," Vol. 1, page 87.

Period of Ten Years. — Average price of Wheat per Qr. of 8 bushels. s. d.

1710 to 1719.—Continental wars. Victories of Marlborough. National Debt on the death of Anne, increased to £53,681,076. 12 Anne, c. 16, reduces the maximum of interest to 5 per cent. Accession of George I., 1714. The following year the Pretender proclaimed in Scotland and in the Western counties of England. This was preceded by *a run upon the Bank, which lasted for several days without intermission.** The price of guineas (*guinea sovereigns*) fixed at 21*s.*, 1717. The close of this period is memorable for the Mississippi and South Sea bubbles, which arose out of an universal expansion of credit when peace was secured abroad and at home. The Royal Exchange and other London Assurance Companies founded at this time. The government enabled, in 1716, to effect a great reduction in the interest and principal of the National Debt.... 43 5

1720 to 1729.—The reaction in October, 1720, of the South Sea, and other bubble speculations, produced a run upon the Goldsmiths, many of whom, with the Sword Blade Company, that also acted as bankers, stopped payment. The Bank of England was again nearly swept away, but again weathered the storm. With the increased demand for money, all securities and every description of property fell in value. Trade was suspended, and the whole nation involved in suffering. It was about this time that the Bank adopted the resolution of maintaining a reserved fund, called "*the Rest,*" to make good an occasional deficiency in the dividends to their own shareholders, and for extraordinary contingencies.

Geo. I. dies 1727, and is succeeded by George II. 37 4

BANK CIRCULATION.

1718................	£1,829,930
1721................	2,054,780†

1730 to 1739.—Reign of George II. Peace throughout the first nine years of this period. War with Spain declared in 1739 .. 31 10½

1740 to 1749.—Heavy losses by Spanish privateers. Hanoverian wars. War declared against France in 1744. Bank circulation £4,000,000. Charles Edward sails for Scotland, July 14th, 1745, gains two victories and marches upon Derby, Dec. 4th. *Panic. Run upon the Bank. The Bank obliged to pay in sixpences, and to block up the doors with its own friends, to gain time.* Charles Edward retreats from Derby the same week, and is finally defeated at Culloden, April 6th, 1746. Peace with France and Spain, by the treaty of Aix la Chapelle, proclaimed 1749 31 8

Mr. Francis tells us of this period, that

" The day on which the news arrived that the rebels were at Derby, was known in London as Black Friday. The gates of the city were shut. The train bands were placed on duty night and day. The guards were ordered out. The Tower was closed before its time. The shops were unopened, and no business was done excepting at the

* Francis' 'History of the Bank,' p. 99.

† 'History of the Bank,' by J. M'Cay.

Bank. Many of the inhabitants collected their valuables and fled from the country."

It was in the midst of a similar panic that Charles Edward had entered Edinburgh without a shot being fired. The retreat of his army, forced upon him by the Highland chiefs against his own bitter remonstrances, saved the crown by saving the Bank. The Highland chiefs did not know how much the principle of *immediate and absolute convertibility* would have befriended their cause. The stoppage of the Bank, that would have followed upon the next three days' march towards London, would have added such intensity to the demand for money, that no effective force could have been collected by the Government, or long maintained. Yet, at this time, there were no notes in circulation under £20; and with our then double standard, the bank had the option of paying either in gold or silver. We shall presently see what became, in a similar crisis, of the principle of immediate convertibility, when the bank was required to pay in gold only.

Period of Ten Years. — Average price of Wheat per Qr. of 8 bushels. s. d.

1750 to 1759.—The 4 per cents. reduced to 3½ (1750). The Bank lend Government £1,400,000 at three per cent. (1752). War declared against France (1756). The 3½ per cents. reduced to 3 per cent. (1757.) £10 and £15 bank notes first issued, 1759 37 5

1760 to 1769.—Bank circulation, 1761, £6,001,810. George II. dies, and is succeeded by George III., 1760. National debt, at the peace of 1762, £146,682,843. A commercial crisis at Amsterdam and Hamburg, and numerous bankruptcies in both cities. The pressure relieved by advances from England to solvent houses,* 1763. Dearth of corn, and distress from the high price of provisions, 1768. The first issue of *paper roubles* (3*s.* 3*d.*) by the Russian Government the same year.† The gold and silver coins having become deficient in weight, bullion rises in price. Gold sold at £4 2*s.* per oz., silver, 5*s.* 10*d.*, 1769.‡ Average price of wheat for the last five years, 48*s.* 5*d.* per quarter, for the ten years 41 4½

1770 to 1779.—Continued bad harvests. At the close of 1772 the light coin called in, and re-issued at full weight. *Extensive failures, and a monetary panic,* followed by a crisis still more severe on the continent, especially in Holland and France. The Bank at this period maintaining the convertibility of its notes by a loss, according to Adam Smith, of from 2½ to 3 per cent. for several years, on an average of £850,000 per annum, the amount of bullion it was compelled to purchase and get coined. (This was to meet the run upon the new heavy guineas, which went

* 'History of the Bank,' by Mr. Francis.

† Macpherson's 'Annals of Commerce,' iv. 8. The difference between the paper rouble and the silver rouble was but 3 per cent. for nine years; but the subsequent unlimited issues of the Russian government during the war, reduced the paper rouble to one-fourth only of the value of that of silver.

‡ Wade's 'British Chronology.'

Period of Ten Years.	Average price of Wheat per Qr. of 8 bushels. s. d.
abroad, like the new shillings of William III., and for the same reason.) In the year 1774, were passed the coercion bills, with which originated the first war with our American colonies; and in the same session *the act for the adoption of a gold standard* (14 Geo. III. c. 42), by which silver was disallowed as a legal tender for sums exceeding £25. Average harvests from 1775 to 1778, and an unusually abundant crop in 1779. Bank circulation same year, August 31, £7,276,540	49 0

The substitution of a gold standard for our ancient double standard of gold and silver appears to have attracted little public attention, as a subject upon which few had thought, and therefore one upon which those who could talk learnedly were allowed to legislate in their own way. The reasons assigned for the change were the variations in the relative value of the two metals, and the practical inconvenience of having continually to adjust their relative prices. This was an argument for a single standard, although one which appears to us of very secondary importance, but not a reason for adopting the dearer metal as a standard rather than the cheaper. The argument for this was, that if the dearer metal were made to govern the price of the cheaper, there would be no variations in the relative price of either. The answer is, that although the variations would not be apparent, they would be as real as before; and that, as all experience proves that the tendency of silver is to fall in value relatively to gold, from a more rapid rate of increase, the change was certain to give to the creditor the advantage which had hitherto been enjoyed by the debtor, who having had the choice of paying in silver or gold, of course paid with the metal most easily procured. But this is a point of but little moment compared with the obvious fact, that in choosing the dearer metal for our single standard we necessarily augmented the chances of monetary disturbance. The proportion of value of silver to gold is as 1 to 15, but the proportion of *quantity* of silver to gold existing in the world is supposed to be as 50 to 1.* In the proportion, therefore, of $3\frac{1}{3}$ to 1, the difference between a silver and a gold standard, and greatly beyond that by the difference between a single and a double standard, did we, in 1774, increase the disability of the nation to meet a new and sudden demand for metallic money, with an immediate and commensurate supply.

Let it be understood, and it is important that this should be generally known,—the principle adopted in 1774 of allowing nothing as a legal tender but the rarest and dearest of metals was an entirely new rule of administration in the history of nations.

* Bullion Report. Allen's evidence of 1810.

The ancient Roman standard was copper;* and in modern times a tender of silver, or of either silver or gold, has been held by the common law of mankind to be a legal discharge of contract debts. We stand alone, with the exception of Portugal, as the only civilized community in the world that exacts from a debtor for every pound a prescribed weight of gold, even though it cost him a pound of flesh. Upon this new and, to our thinking, most perilous experiment, we entered,—when? Upon the eve of the outbreak of those civil convulsions which shook Europe to its centre, and when we were about to add £700,000,000 to the national debt, within the life-time of the then reigning monarch.

Period of Ten Years.	Average price of Wheat per Qr. of 8 bushels. s. d.
1780 to 1789.—New York surrendered to Washington by Lord Cornwallis, 1781. The independence acknowledged of the Thirteen United States, Dec., 1782. *Tallies* finally abolished, 1783. Pitt introduces his plan for a sinking fund, 1786. Commercial treaty with France, 1787. The States-General of France assembled May 5, 1789. The following harvest deficient, and a great dearth of corn in France	49 $10\frac{1}{2}$
1790 to 1799.—First issue of *Assignats* by the Constituent Assembly of France, April 19, 1790. Louis XVI. beheaded Jan. 21, 1793. The next week England declares war against France, and joins the coalition. *Drain of gold. The Bank contracts its discounts.* Feb. 19.—*One house fails for nearly* £1,000,000. *Panic. Failures throughout the country. Universal hoarding. Upwards of* 100 *country banks stop payment.* The following April a committee of the House recommend an advance to merchants, on securities, of £5,000,000 Exchequer bills. The panic subsiding on this announcement, and on an extension of discounts, £2,202,200 only advanced; all ultimately repaid.† £5 Bank notes first issued the same month. *General fall of prices from* 1792 *to* 1794.‡ Robespierre beheaded, July 27, 1794. The issue of *Assignats* augmented in 1796 to the nominal amount of £182,316,000, exclusive of the forged imitations said to have been circulated by Pitt. The whole become waste paper. The same year Buonaparte overruns Italy. Some French troops land in Wales from a frigate driven on the coast. *Alarm of Invasion. Discontent in the Fleet; subsequently breaking out into open mutiny. Drain of gold. The Bank contracts its circulation from* £10,824,150, *March,* 1796, *to* £8,640,250, *Feb.* 25, 1797. *The next day an order in Council commands the Bank to suspend specie payments.* Bullion left Feb. 28, £1,086,170. March 4.—£1 and £2 notes first issued. The same year the 4*s.* 2*d.* *dollar* re-stamped, and issued at 4*s.* 9*d.* Three deficient harvests in this period. Gazette averages of wheat, January, 1799, 49*s.* 6*d.* Windsor averages for the ten years	62 $1\frac{1}{2}$

* The *as* or *pondo* (whence the word *pound*), coined into twelve parts or *unciæ*, 550 years before Christ. The silver *denarius* was first coined 250 years before Christ. The gold *aureus* 204 years before Christ.

† 'History of the Bank,' by J. Francis. Vol. I., 216. ‡ Tooke, Vol. I., Page 178.

Three-and-twenty years only have elapsed since the adoption of an exclusively gold standard, and we find it has broken down. We have now a new standard of *inconvertible* paper, supported by the joint credit of a wealthy corporation and that of the state. The origin of the distrust of this paper, and the apprehensions of the bullionists, will be seen in the fate of the French assignats. The result, however, was not the same in both cases, and it is important to point out the reason. Wherein did the *English* assignats differ from the inconvertible notes of the French Constituent Assembly? The difference was in this—not in the form of note, for forms are immaterial, but in the principle of their issue. The French assignats were *given away** by the government in payment of its own expenditure; the English assignats were *lent* only, and *lent at interest*, upon securities for the return of the original notes, with the interest in addition.

It is extraordinary that this most essential distinction should not have been detected by the bullionist writers of the time, or if detected that they should still have reasoned then as the advocates of convertibility for the most part reason now, as if there were no difference between the accommodation bill of a swindler and the promissory note of a Rothschild; and upon the sage maxim, that paper money is always paper money, and therefore to be regarded as the object of a vague terror, no matter what the conditions of limitation, and the check imposed upon excessive issues.

Observe the operation of the check in the case of the assignats of the Bank of England. The Bank could not have issued £180,000,000 of these notes, because the public would not have been willing or able to pay £9,000,000 per annum for the use of them, and because if willing, it could not have found £189,000,000 to deposit *in securities* for the re-payment of capital and interest. And observe further that the check *now* upon excessive issues of Bank of England notes is not convertibility (excepting at a moment of drain), but the provision made for recalling the same notes at average intervals of three months, with interest for the use of them during that period. In ordinary times, the interest of a bill

* This does not apply to the first issue of the Constituent Assembly in 1790, which was limited to £2,500,000, and which the government received back again in the taxes, and in payment of the confiscated estates sold by auction. The subsequent excessive issues, without any provision for withdrawing any portion from circulation as they fell in value, were in the days of the *National Convention* and the first *Legislative Assembly*, bodies both of them constituted of inferior elements to those which formed the *Constituent Assembly*. The notes of Law's bank, 78 years before, became depreciated in a similar manner. The Regent borrowed, and paid them away at his own discretion; and the bank, though it advanced them at interest, took false securities for the payment—the security of a bankrupt government, and the fictitious values of Mississippi bonds.

discounted at the Bank of England is paid with the notes of the Bank of England, as during the Restriction Act—not with gold. And this does not at all interfere with the operation of interest as a check, because *the principle of the check is the receiving more back than was paid out.* The present regulation of this check is however imperfect; and it was imperfect during the war, for a reason we have already pointed out,—the difference between a *nominal* and a *real* rate of interest. The tax paid for the use of paper money should be governed by the return of capital, as measured by a general average of commodities—not by gold alone. In other words, nominal rates of interest should rise with the nominal prices of commodities (not fall, as under our present system). *Paper money issued only upon securities, and at rates of interest so regulated, could never be issued in excess.*

We may here afford a smile at that total oblivion of history which enables a certain class of writers, and writers not always of the least pretensions, to declaim upon the *impossibility* of an inconvertible currency in a commercial country. The past is lost upon them. The Spanish Armada, fitted out with gold, was defeated by the impoverished exchequer of Elizabeth, with *wooden tallies.* A life and death struggle with the armies of Napoleon was maintained for twenty years with *English assignats*, and those very assignats, or inconvertible bank notes, *bought the gold* which in 1819 enabled the Bank of England to resume cash payments.

1798.—Rebellion in Ireland.

1799.—The Duke of York capitulates and abandons Holland to the French. Fall in the prices of transatlantic produce, coincident with a rise in the price of corn. Numerous failures in the commercial towns of Bremen, Amsterdam, Frankfort, Hamburgh, &c., extending also to Liverpool. In Hamburgh the rate of discount raised to 15 per cent., and 82 merchants there stop payment for £2,500,000. *The pressure at Liverpool relieved by a Government advance of £500,000 in Exchequer Bills.**

1800 to 1809.—1800. Union with Ireland (39 & 40 Geo. III., c. 67). Two deficient harvests, and a great foreign demand for corn, partly occasioned by the war. Price of wheat March, 1801, 156*s.* 2*d.* per quarter. Falls at the close of the next year to 57*s.* 1*d.* Peace of Amiens in 1802. The war renewed 1803. Price of wheat falls to 49*s.* 6*d.*, March, 1804. A prohibitory duty imposed the same year of 24*s.* 3*d.* per quarter on the importation of wheat, when the price should be under 63*s.* The 4*s.* 2*d.* dollar re-stamped, and issued at 5*s.* Threats of invasion. A flotilla assembled at Boulogne by Napoleon. Arming of the militia, 1805. Martello towers erected along the coast; battle of Austerlitz; and death of Nelson in the naval victory of Trafalgar. The Berlin decrees of Napoleon interdict the commerce of England with the continent, 1806. England retaliates, 1807, by prohibiting the trade of neutral vessels. Russia closes its ports

* Tooke's 'History of Prices,' vol. i., p. 233.

against England, and Napoleon issues further decrees from Hamburgh and Milan to enforce a strict blockade of the British Islands. Rise of prices in hemp, flax, tallow, Memel timber, silk, wool, and other articles affected by these decrees; and great speculation in them, extending to copper, lead, and all materials generally of army munitions. 1808.—Great speculations in the shares of new companies. Deficient harvests this and the following year. 1809.—The English retreat from Portugal, and fail in their disastrous expedition to Walcheren. Gold rises to £4 12*s.* per ounce. The bullion committee appointed, Francis Horner, chairman. Average price of Wheat................ *s.* *d.* 88 7½

The report of the bullion committee made in the following year is the most graphic illustration of the Tenterden Steeple fallacy that it would, perhaps, be possible to find in the history of philosophy. It is a report in which the effect of deficient harvests—the effect of a war expenditure, exceeding 500 millions for the twelve preceding years,—the effect of the new Corn Law,—the effect of the Berlin and Milan decrees,—stand for nothing as disturbing elements of commerce, and the restriction of cash payments, alone, is stated to have caused the fall of the exchanges and rise in the price of gold, and also to have led generally to a rise in the price of all commodities. Upon each of these points the report has been ably answered by Mr. Tooke, himself a qualified supporter of the same metallic theory. Mr. Tooke proves—1. That the rise of prices was neither general nor uniform, and that in the two last years, when gold was rising, the reaction of the speculative spirit of 1807 and 1808 caused a general fall in the price of all commodities that had been affected by it;* 2. That for the twelve years following the restriction act there was only one period of a few months (in 1801 and 1802) during which the price of gold was above £4 per ounce (the price fixed by the Bank), or the price of silver higher than it had been during the greater part of the last century; and 3. That the state of the Bank circulation was remarkable for its equability during nearly the whole of this period, and not greater than it would probably have been without a restriction act. Mr. Taylor has also pointed out (a fact overlooked both by Ricardo and Mr. Tooke) that coincidently with the first rapid rise of gold in the autumn of 1808, there was not an expansion, but a great contraction of the circulation.†

	Bank Notes in Circulation.	Price of Gold.	
Aug. 31, 1807......	£19,678,360	£4 0 0	per ounce.
,, ,, 1808......	17,111,290	4 10 0	,,

* 'History of Prices,' vol. i., page 316. Mr. Tooke says that, with the exception of corn, land, and materials of ship building, &c., "all objects of exchange were lower in price in 1810 and 1811 than in 1800; in few instances less than 20 per cent., and in some instances upwards of 50 per cent, as measured in paper; while gold had risen 25 per cent."

† 'The Minister Mistaken,' p. 11.

This is, perhaps, the most decisive evidence that can be offered, as a single fact, of the variableness of gold as a standard of value, and the delusiveness of the modern theory of the foreign exchanges. The fall in the exchanges of this period, that is to say, the lowered value of all bills drawn upon London, was simply occasioned, not by any depreciation of bank paper, in the true sense of the term, but by the enormous excess of those bills in the market, in reference to the demands of a crippled trade,—bills drawn by English officers abroad on army agents at home, or bills drawn by foreign powers on the English treasury on account of subsidies. Our subsidies to foreign powers, which for seven years had been inconsiderable, were, in 1808, £2,897,873, and for the seven years ending 1814, £29,091,989, a very large proportion of which had, through the "continental system" of Napoleon, to be paid in gold.* The subsequent history of the Exchanges is that of bills upon London sometimes rising in price with an increase of the Bank circulation, and sometimes falling, and falling when the expansion was greatest, viz., in 1814.

1810.—Depression of prices on the recoil of speculation. Extensive failures, and great demand for money. The Bank increases its circulation by £4,500,000. Price of gold falls from £4 11*s.* to £4 4*s.* 6*d.*†

1811.—Regency Act passed (Feb. 11). Immense armies traverse the continent. Gold again rises, and guineas, shillings, and even pence, begin to disappear from the circulation. The 4*s.* 2*d.* dollar issued at 5*s.* 6*d.* The House, to prevent the inconvenience of rents being claimed in gold, adopt a resolution, on the motion of Mr. Vansittart, to the effect that a one-pound note and a shilling shall be a legal tender for a guinea—guineas then selling at 27*s.* in Bank paper.

1812.—Through a succession of four bad harvests at home and abroad, the price of wheat rises in August to 155*s.* per quarter. Price in France 150*s.* per quarter.‡ Wellington victorious in Spain. The French retreat from Moscow (Oct. 19).

813.—Average harvest. Wheat falls in Dec. to 73*s.* 6*d.* Gold rises to £5 10*s.* per ounce. General opening of continental ports, and rise of prices of most articles of British export. Napoleon defeated at Leipsic.

1814.—Restoration of the Bourbons (April).

	Bank Circulation.	Bullion in the Bank.	Price of Gold.
28th Feb.....	£24,801,080	£2,204,430	£5 8 0
31st Aug.....	28,368,290	2,097,680	4 5 0

1815.—Gold again rises in price on the escape of Napoleon from Elba. Falls

* BULLION IN THE BANK OF ENGLAND.

1808. Feb. 28......................	£7,855,470
,, Aug. 31......................	6,015,940
1809. Feb. 28......................	4,488,700
,, Aug. 31......................	3,652,480

† Tooke's 'History of Prices,' vol. i., p. 362.

‡ Ibid., vol. i., p. 334.

after the Battle of Waterloo. National Debt, at the close of this year, £856,984,028.*

1816.—Deficient harvest. The pound troy of standard silver, coined into 66*s*. A great increase in the foreign trade, but a more than corresponding fall in the prices of Baltic and other produce, now glutting the home market, causes heavy losses and numerous bankruptcies during this and the two preceding years.

		EXPORTS.	IMPORTS.
Official Value	1813	£37,980,977	£24,923,922
	1816	57,420,430†	31,822,053

1817.—Savings' bank fund established (57 Geo. III., c. 105 & 130). Spa-field riots. The Bank begin voluntarily to resume cash payments, but are checked by Government; the operation of heavy French and Russian loans, raised at a high rate of interest, having suddenly led to an export of bullion.

	Bank Circulation.	Bullion in the Bank.
Aug. 31	£29,543,780	£11,688,260

1818.—Increased forgeries of bank notes. First coinage of the present Sovereign, containing 5 dwts. $3\frac{1}{4}$ grs. of gold. Numerous Reform meetings. (About this time the writings of William Cobbett create a general but an erroneous belief in a necessary connexion between bank paper and high prices.)

1819.—Manchester massacre. Resumption of cash payments. 59 Geo. III., c. 49, enacts that on the 1st of May, 1823, all notes of the Bank of England shall be payable in gold on demand at £3 17*s*. $10\frac{1}{2}$*d*. per oz. Prior to that period, not to be paid in smaller amounts than the value of 60 oz. at £3 19*s*. 6*d*. till 1st October 1821; and not less than 60 oz. at £3 17*s*. $10\frac{1}{2}$*d*. till October 1823. English as well as foreign coins allowed to be exported, by the same Act. Average price of wheat in 1819, 72*s*., but through the effect of five deficient harvests during this period, aggravated by the corn laws, the average price of wheat at Windsor for the ten years 100 7

It must be said of British statesmen that if they sometimes lack foresight, they are at least never wanting in courage. The new experiment of 1774, of adopting as a single standard the rarest and dearest of the precious metals, had failed after a brief trial, and we find a legislature in 1819 yet bold enough to return to it, and to return to it at a moment of falling markets,—the necessary consequence of a diminishing monopoly of the foreign trade of the world, and a diminishing government expenditure,—and with such an accumulation of debt as the world had never before seen,—a debt of £850,000,000, the dividends of which were now to be paid in gold, and the principal itself, to whatever

* Fourth Report of the Committee on Income and Expenditure.

† We have explained, in a former note, but would again draw attention to the fact, that a great part of the now customary excess of exports over imports is occasioned by the Foreign and Colonial expenditure of Government; for which, of course, there is no return in either money or goods.

extent it might please the fundholder to sell, at a moment of distrust, or when tempted by a better investment abroad.

The fallacy which misled the House and the political economists of that day, by whom ministers were influenced, was the comparative cheapness of gold, on the return of peace, when every hoard on the Continent was suddenly released; and the apparent consequent facility of meeting with gold all engagements of Bank paper. But this temporary cheapness was no test at all of what the difficulty might be of obtaining the amount of gold required, when new causes for hoarding it might arise; and surely, with the gigantic mass of credit we had then built up, there ought to have been some misgiving of the prudence of risking the public security upon such an improbable contingency as the chance of no new and unexpected demand ever arising for bullion, greater than the average quantity that could conveniently be retained in this country. Some alternative of safety against a violent collapse of credit obligations, should at least have been retained until provision had been made for the ultimate extinction of the debt—until the paper which contracted the debt had discharged it—and this, but for the unfortunate state crotchet of convertibility into gold at a fixed price, would have been a matter of very simple financial arrangement. The history of the bullion market, on the peace of 1815, shows that gold was then so rapidly becoming a drug that had it not been for the large purchases of the Bank of England at £4 13*s*. 6*d*. and £4 per oz., with a view to the resumption of cash payments, gold would have fallen below the value of the Bank inconvertible paper; and with Bank notes at a premium, a comparatively trifling bonus would have induced the fundholder to have accepted, in exchange for his perpetual annuities, *terminable, and life annuities*, of which some of the youngest among us might have hoped to live long enough to see the last.*

1820.—56 Geo. III., c. 68, provides that silver shall not be a legal tender for more than 40*s*., instead of, as before, a legal tender for £25. Geo. III. dies, in the 82nd year of his age. Cato-street conspiracy.

1821.—Death of Napoleon Buonaparte at St. Helena. Coronation of Geo. IV. and death of Queen Caroline. The Bank pay all demands in gold.

1822.—Continued revulsion of prices, the funds excepted, and great commercial depression throughout Europe. The act of 1819 attacked in the House by Mr. Western and Mr. Attwood. The House defers the contemplated abolition of £1 notes in 1823. A potato famine in Ireland. Mr. Vansittart reduces the 5 per cents. to 4 per cent. Meetings on the subject of agricultural distress.

* It should be understood that bank paper was always convertible into gold during the war, but that the payment was *optional*, and not at a fixed price. The difference between gold and paper from 1803 to 1809 was but £2 13*s*. 2*d*. per cent. In 1813, £22 18*s*. per cent. The average difference during the last seven years of the war, was about 15 per cent.

1823.—Rising prices, improving trade, and falling rates of interest,* towards the close of this year.

1824.—Great speculations in the scrip and shares of foreign loans and new companies.

1825.—The recoil of speculation in the autumn of this year produces an increased demand for money, and *a run upon the London and Country Banks.* Seventy banks in town and country stop payment in the month of December. *A drain of gold,* consequent upon these stoppages, *exhausts the bullion of the Bank.* The Bank, supported solely by its credit, which remains unimpaired, extends its issues of paper by *eight millions in one fortnight;* upon which the panic subsides, and confidence is gradually restored.

BANK RETURNS.

	Circulation.	Bullion.
Feb. 28, 1823	£18,392,240	£10,384,230
28, 1824	19,736,990	13,810,060
28, 1825	20,753,760	8,779,100
Aug. 31, 1825	19,398,840	3,634,320
Dec. 3, 1825	17,477,290	——
24, 1825	25,611,800	1,027,000
Feb. 28, 1826	25,467,910	2,459,510
Aug. 31, 1826	21,563,560	6,754,230
Feb. 28, 1827	21,890,610	10,159,020

The drain of bullion appears to have extended (from the evidence of Lord Ashburton) considerably below the point shown in the official returns, even to "a few thousand pounds," but the increased issue of notes quickly enabled the private bankers to return the surplus portion of the gold they had withdrawn. Prior to this, the Directors in their consternation had consulted the Government upon another Restriction Act, which was peremptorily refused. It mattered not; the Directors took upon themselves to return to the principle of issuing inconvertible notes; and the confidence of the public, not in the gold of the Bank, but in its known solvency, carried them through the dilemma.†

The state of the circulation in 1824 proves that if the speculative spirit which then arose had been occasioned by money, it was an excess of *gold* rather than an excess of notes that was in fault. But let us not fall into the common currency mistake of confounding the effect with the cause. Both paper and gold were in excess of the average demand for money; the cause being, that with rising profits the demand for money had diminished. The speculative transactions of the time were conducted through the medium of the *money of account.* The demand for either bank notes

* 3 per cent. Consols.		Premium on Exchequer Bills.
April 23, 1823....	73½	10*s.* to 12*s.*
Jan. 1, 1824....	86	51*s.* to 53*s.*
,, 1825....	94½	68*s.*

† Including *deposits*, the total of their liabilities to pay gold on demand, exceeded the amount of gold in hand by 30 millions.

or metallic money did not set in till the whole body of speculators became infected with distrust; and then we see how, in a moment, the principle of immediate convertibility into gold, *with no alternative of safety,* involves the prudent and the imprudent—the reckless gambler and plain plodding industry—in one common gulf of ruin.

1826.—Depression of trade throughout the first half of the year. The Government advance £2,000,000 of Exchequer Bills to the Bank. The Bank advances a similar sum to manufacturers, on the security of dock warrants, bills of lading, &c. Trade resumes its accustomed channels.

1827.—7 Geo. IV., c. 6, prohibits the circulation of small notes for sums under £5, after April 5, 1829.

1830.—Death of George IV. French Revolution of July. Opening of the Manchester and Liverpool Railway, and death of Mr. Huskisson.

1832.—Cholera; and popular commotions on the rejection of the Reform Bill by the House of Lords, and the accession to office of the Duke of Wellington. Placards about the metropolis "to stop the Duke—go for gold." A run for gold, in consequence, reduces the bullion in the Bank to £4,919,000. Royal assent given to the Reform Bill, June 7th.

1833.—3 and 4 Wm. IV., renews the Bank Charter Act, and allows, for the first time, the bills of country banks to be made payable in London. Bank notes to be a *legal tender* for sums above £5, excepting by the Bank itself, or its branches.

1834 to 1837.—Three months' bills exempted from the usury laws by the 3rd and 4th Wm. IV., c. 98. Improving prices, and speculations in railway and other share undertakings. President Jackson abolishes, in 1836, the Bank of the United States, and takes measures to establish a metallic currency. Congress reduces the quantity of fine gold in the American *Eagle* from 246 to 232 grains, which raises throughout the United States the value of English sovereigns.* Consequent *drain of gold at the Bank of England.* Alternate *contraction and extension of discounts,* and general commercial derangement at the close of 1836, and the beginning of 1837. American houses the greatest sufferers. Death of William IV., 1837.

BANK RETURNS.

		Circulation.	Bullion.
1834.	Jan. 7.	£18,216,000	£9,948,000
	Sept. 23.	19,126,000	7,695,000
1835.	June 4.	18,460,000	6,150,000
1836.	June 28.	17,899,000	7,362,000
	Sept. 21.	18,147,000	5,719,000
1837.	Feb. 28.	18,165,000	4,077,000

1838 and 1839.—Two deficient harvests. Price of wheat 81*s.* 6*d.* for the second week of January, 1839. Large importations of corn, and consequent *drain of bullion.* The Bank seek to check the drain by contracting its circulation and raising the rate of discount to 5½ per cent., but without effect. Acts upon the exchanges by the creation of accommodation bills to the amount of £2,500,000, drawn upon the bankers of Paris; for which purpose it pledges securities with the house of Baring.†

1840.—2 & 3 Vict., c. 37, exempts all bills of exchange and loans above £10 on personal securities, from the operation of the usury laws. *Loans upon the security of real property still limited to 5 per cent.*

* Tooke's 'History of Prices.' Vol. II., page 285.

† Francis' 'History of the Bank.' Vol. II., page 121.

BANK RETURNS.

		Circulation.	Bullion.
1838.	April 3	£18,987,000	£10,126,000
1839.	April 2	18,371,000	7,073,000
..	Nov. 12	17,235,000	2,545,000
1840.	Jan. 7	16,366,000	3,454,000

1844.—Renewal of the Bank Charter. The 7 & 8 Vict., c. 32, divides the Bank into two departments, an *Issue department* and a *Banking department;* and limits the amount of Bank paper that may be issued upon other securities than gold to 14 millions. It also limits the issues of country banks, whether upon gold or any other security, to the average of the 12 weeks ending April 27; about £8,000,000.

1845.—The 8th & 9th Vict., c. 37, limits the circulation of Irish banks, and the 8th & 9th Vict. c. 38, limits the circulation of Scotch banks to their then issues. Bank of England notes not to be a legal tender in Scotland.

The three last measures were passed in fair weather times, when in consequence of the improvement of trade the demand for *real* money was diminishing, and business was again transacted through the medium of the *money of account*—gold again a drug, and those who held notes representing it finding a difficulty in placing them at 2½ per cent. The operation of the principle involved in this important distinction between the money of account and real money not having been understood, it was not perceived by the legislature that the mere crippling of banking resources would do literally nothing towards restraining a spirit of commercial enterprize within due limits, but would most fearfully aggravate the evils of its recoil. Let it, however, here be observed that this crippling of banking resources is not a necessary consequence of the mere separation of departments. *That* principle of the Bank Charter we must admit to be a sound one. When we see the failures of men in the position of Governors and Directors of the Bank of England of every day occurrence, we ought surely to pause before entrusting the issue of *State paper money* (meaning thereby notes made a legal tender) to the absolute discretion of any private parties connected with trade. The only defect of the *Issue department* is that of the Mint,—which coins nothing as a legal tender but gold. Give to the *Issue department*, in cases of temporary need, the same power of enlarging the circulation, upon other securities than gold, which the Bank itself formerly enjoyed, and let that power, subject to proper control, be exercised not capriciously at a moment of panic, but systematically and wisely before the panic arrives, and although insolvents could not be upheld, we should hear no more of the *monetary crisis*, in which men of property find themselves on the brink of bankruptcy, and discharged workmen crowding our streets, from a sudden interruption of unexecuted orders, against the misfortune of which no foresight could guard. What hinders? Nothing but the principle of immediate and exclusive gold convertibility, to which such a policy would of course be opposed. Blinded to consequences by this theory, and defying the lessons of all time, we go on regulating our currency in the infatuated spirit of the gaming table,—staking all we possess upon the hazard of a single throw.

1844 and 1845.—Improving prices and expanding confidence in 1844. Gold again becomes a drug. Bullion, in the two departments of the Bank, Sept. 21, £15,158,964. Bank rate of discount, 2½. Speculations in cotton from deficient crops; and speculations in railway shares from the success of the London and Birmingham Company. The following year speculations in railway shares become a mania, by which this country and the whole of Europe is infected. Bullion, June 14, 1845, £16,613,920. The recoil of speculation in the Autumn produces an increased demand for money, and a rapid fall of all railway securities. Bullion Dec. 20, £13,378,343. *This first panic confined to the railway interest.* Cold and heavy rains in Autumn prevent the ripening of the potato root, and the crop proves unsound.

1846.—The corn-laws repealed. Railway shares partially recover, and fall. Rally till harvest, and again fall. Bullion, August 29, £16,366,068. Dearth of corn in France. A nearly total failure of the potato plant in Ireland from the combined effects of unripe seed and an unusually dry season. A labour-rate act passed for the employment of the Irish during the winter. Large importations of corn, and *beginning of a drain of gold.*

1847.—March 1.—The Chancellor of the Exchequer contracts with Messrs. Baring and Rothschild an Irish loan of £8,000,000, at the rate of £3 7*s*. per cent. The relief measures of the English and French Governments produce an exaggerated demand for corn, and raise the price of provisions throughout Europe. The drain of gold increases about the period of the April dividends. £7,000,000 of gold withdrawn in less than six months. The Banking department compelled to refuse discounts, or to make advances upon Government stock, or even silver bullion. Money suddenly becomes excessively dear. *Panic, and universal mercantile depression.* Gazette averages of wheat for the week ending May, 29, 102*s*. 5*d*.; for the week ending Sept. 18, 49*s*. 6*d*. This rapid fall, and the simultaneous anxiety of holders of corn, holders of cotton, and holders of railway shares to realize, and the directors of new railways to complete their lines by making heavy calls, produce an unexampled demand for money. The Foreign Exchanges improve; but private bankers, in alarm, increasing their cash reserves, *the drain of gold continues.* To provide for the October dividends, the Bank is again compelled to refuse loans and discounts, and this time more peremptorily than before. Private bankers imitating their example, a total collapse ensues of all commercial credit depending upon the negotiability of Bills of Exchange. Forced sales, in consequence, of Consols, and every description of security; and a series of failures unequalled in amount at any similar crisis recorded in British history.

Oct. 25.—A letter from Lord John Russell and Sir Charles Wood to the governor and deputy-governor of the Bank, *virtually suspending the provisions of the Bank Charter Act,* and recommending an enlargement of its circulation at a rate of discount *not less than eight per cent.* The Bank acting upon this, the severity of the crisis abates; private bankers release their surplus reserves, while at the same time, from the

continuing distrust of English bills, bullion flows in from abroad with unusual rapidity.

Nov. 23.—The first session of a new Parliament opened by Royal commission. The House extends the time for making railways; appoints a committee to consider and report upon the state of the currency, and adjourns for the holidays. Bank Rate of discount reduced from 8 to 7, and from 7 to 6 per cent., during the month.

Dec. 23.—The minimum rate of discount at the Bank reduced to five per cent. All commercial and manufacturing operations continuing limited, up to this date, and railway works almost entirely suspended.

*** Bullion in the two departments Dec. 4, £11,032,599, of which amount £4,783,065 could not be withdrawn by the Banking Department under the provisions of the Bank Charter Act.

BANK RETURNS.

Banking Department.

	Liabilities in Deposits and seven days' bills.	Cash reserve.
1844. Sept. 21	£14,778,345	£9,540,804
1845. June 14	17,552,981	10,551,420
1846. Aug. 29	17,189,760	9,939,938
1847. April 17	13,925,799	3,087,056
,, Oct. 23	14,301,916	1,994,516
,, Dec. 4	17,126,533	6,249,534

In closing this curious, and we trust it will be found useful historical digest of the contents of some hundred volumes, there are three things which may perhaps especially attract our notice, while they leave upon the mind an impression of wonder. First, the fact that the principle of exclusive convertibility into *gold*, which, from the self-complacent dogmatism with which it has been supported, the public has been led to imagine was as old as the hills, is discovered to be an entirely new experiment, of which every trial has been attended with disaster, and of which the British nation has never yet had the continuous experience of four-and-twenty years! Second, that although the *inconvertible* paper of the Bank bought back the gold which enabled it to resume cash payments in 1821, when the rate of discount was limited by law to £5 per cent., it should in these days have been considered necessary by Government, and at a moment of excessive depreciation in the value of all commodities relatively to money, to raise the *minimum* rate of discount to 8 per cent. to secure a return of bullion.

Third, that a body of legislators approving of such ruinous rates as a temporary expedient, and impressed with a belief that railway calls are nearly the sole cause of our present embarassments, should meet and dissolve without even one thought of the expediency of repealing that last portion of the usury laws which still prohibits Railway Companies, and the owners generally of lands and houses, borrowing money upon the security of *real property* at a rate of interest exceeding 5 per cent!

We conclude by calling upon the members of the new Currency Committee to consider the order in which their inquiry should be conducted in reference especially to those interests of the country which are at the present moment placed in the most immediate jeopardy.

Assuming the fact—about which there has been no controversy—that the engagements of the existing body of railway shareholders are beyond their means, we would suggest the importance of proceeding at once to the question of—whether the nation itself is in a similar position? If there be no evidence of any deficiency of capital nationally, but on the contrary, the most conclusive proofs of a more than average abundance of food, and all the materials of labour, we would then urge upon the Committee the duty of devising some plan,—with or without a departure from the principle of convertibility, by which the national capital may be rendered available for setting the railway labourer again to work, and staying that useless waste and destruction of property now going forward, for which we must all pay in the end.

This—their first and most serious obligation discharged, we would recommend to their consideration the following propositions;—a concise summary of the whole of the preceding argument.

First—*That a given quantity of any one commodity, such as gold, or any two commodities, such as gold and silver, or gold and paper, subject to a variable demand, is a delusive criterion of value; one which in all ages has operated unequally and mischievously in the adjustment of contracts, and led, more than any other cause than can be named, to the proverbial vicissitudes of trade.*

Second—*That the only true standard of value is that which is obtained by a comparison of general averages; and that the issues of all notes, or coins, allowed to be circulated as a legal tender, should be regulated by such a standard, and such a standard alone.**

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* The value of money, *per se*, and the value of capital generally, would then accurately correspond, instead of continually varying, as under the present system. For example,—suppose it to be agreed that the average return of capital is in this country fairly represented by a dividend of £3 upon £90 of Consols. If Consols rose to £100 and other commodities rose in the same proportion, it would prove that money (not capital) was in excess; and it would in such case be the duty of a *national* bank to raise the rates of discount upon notes, and to stop all further issues of coin by the mint. If, on the other hand, the prices of commodities generally fell below the average return to capital, and Consols were, say at £80, proving an increased demand for money, it would then be the duty of a national bank to lower its rates of interest upon loans and discounts, extending its issues of paper upon unexceptionable securities, and at the same time extending the supply of mint coins.